2006 Annual Report

Northwest Territories

Public Utilities Board
of the
Northwest Territories

2008-01509/

PUBLIC UTILITIES BOARD

OF THE NORTHWEST TERRITORIES

ANNUAL REPORT

For the year ending
December 31, 2006

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Northwest Territories Minister Responsible for the Public Utilities Board

The Honourable Anthony W. J. Whitford
Commissioner of the Northwest Territories

I take pleasure in submitting the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 2006.

Kevin Menicoche
Minister

Attachment

Government of the Northwest Territories, P.O. Box 1320, Yellowknife, NT Canada X1A 2L9

Northwest Territories Public Utilities Board

February 1, 2007

The Honourable Kevin Menicoche
Minister Responsible for the
Public Utilities Board
of the Northwest Territories

Dear Minister:

I am pleased to submit the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 2006, in accordance with the provisions of Section 16. (1) of the *Public Utilities Act*.

Yours truly,

Joe Acorn
Chairperson

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THE PUBLIC UTILITIES BOARD

Mandate

The Northwest Territories Public Utilities Board ("**Board**") is an independent regulatory agency of the Territorial Government operating under and administering the *Public Utilities Act* ("***the Act***"). The Board is primarily responsible for the regulation of energy utilities in the Northwest Territories ("**NWT**"), to ensure that the rates charged for energy are fair, just and reasonable. It is also responsible for ensuring utility operators provide safe, adequate and secure services to their customers.

Board Organization

The Board consists of a part time Chairperson and four part time members. The Board Secretary, who reports to the part time Chairperson, administers the office. As the chief executive officer, the Chairperson presides over sittings of the Board and supervises Board employees.

The position of Chairperson has been part time since April 1, 2001.

The Board operates efficiently with a part time Chairperson, a full time Board Secretary and outside counsel and consultant. Because of the technical nature of the work, the Board is dependent on specialized outside assistance. No changes are contemplated, as the arrangement is cost effective.

The Minister Responsible for the Board, upon the recommendation of the Executive Council appoints members of the Board. For 2006, the Board consisted of the following persons:

Chairperson	John E. Hill, Devon, Alberta
Vice-Chairperson	Joe Acorn, Yellowknife, Northwest Territories
Member	Gene Nikiforuk, Candle Lake, Saskatchewan
Member	William Koe, Inuvik, Northwest Territories
Member	Sandra Jaque, Fort Smith, Northwest Territories

The Board was assisted by:

Board Secretary	Louise Larocque, Hay River, Northwest Territories
Legal Counsel	John Donihee Professional Corporation, Calgary, Alberta
Consultant	Raj Retnanandan, Energy Management & Regulatory Consulting Ltd., Edmonton, Alberta

REGULATORY JURISDICTION

Following are the utilities subject to the Board's jurisdiction:

Northwest Territories Power Corporation
Head Office: Hay River, Northwest Territories

Stittco Utilities NWT Ltd.
Head Office: Hay River, Northwest Territories

Northland Utilities (NWT) Limited
Head Office: Hay River, Northwest Territories

Northland Utilities (Yellowknife) Limited
Head Office: Yellowknife, Northwest Territories

The Town of Norman Wells
Head Office: Norman Wells, Northwest Territories

Aadrii Ltd.
Head Office: Yellowknife, Northwest Territories

Inuvik Gas Ltd.
Head Office: Inuvik, Northwest Territories

UTILITY REGULATION

The need for regulation arises because utilities generally provide service on a monopoly basis without the economic controls of competition. The Board is the proxy for competition and attempts to ensure efficiency and fair pricing. The principles of rate regulation rest on fairness to both the utility and the consumer.

Energy utilities, as defined in *the Act*, are subject to Board regulation. The Board's principal responsibility is to ensure that each utility provides safe, adequate service at rates, which are just and reasonable. When setting rates the Board must balance the competing interests of consumers, and the utilities. Rates are set through a public hearing process. The Board's objective through the hearing process is to guarantee that the public interest is served, and protected.

Public involvement is an essential component of the regulatory process. The Board ensures the opportunity for public participation by directing the applicant to publish a notice, approved by the Board, advising that a hearing be to be held to consider the application. The notice may be published in newspapers throughout the utility's service area, or through notice to each customer in monthly billings, or such other notice to the public that the Board considers appropriate.

The Board has the authority to award costs at the conclusion of a hearing. Intervenors before the Board may receive up to 100% of their reasonably incurred costs provided that, in the Board's opinion, the intervention contributed in a meaningful way to the Board's understanding of the application.

Intervenors are interested parties who register with the Board and receive copies of the application and all written questions and answers.

Intervenors may take an active role in the hearing process. They may submit written questions, give evidence, call expert witnesses, and cross-examine the applicant. The applicant as well as other intervenors is provided the opportunity to cross-examine the intervenor and the intervenor's expert witnesses. Alternatively, the intervenor may choose to not actively participate in the hearing, but simply receive all available information.

After hearing and reviewing the evidence, the Board issues its decision outlining the Board's determination of the application. The Board may turn down the rate change, modify it, or approve the entire request.

The Board also approves major capital projects, the issuance of long-term debt and franchise agreements.

2006 HIGHLIGHTS

The Board was directed by the Minister to provide a report with respect to applications from Northwest Territories Power Corporation ("**NWTPC**") and Northland Utilities (Yellowknife) Limited ("**Northland Yk**") for an exclusive electrical utility franchise for Cassidy Point, near the City of Yellowknife ("**the City**"). The report was issued to the Minister on January 10, 2006. The Minister has yet to approve the exclusive electrical utility franchise for Cassidy Point.

The Board held a hearing with respect to the General Rate Application ("**GRA**") of Northland Utilities (NWT) Limited ("**Northland NWT**"), on November 29 and 30, 2005 in Hay River. Following the hearing, the Board issued a decision wherein the Board set out its findings with respect to the issues raised during the proceedings and directed Northland NWT to refile its application. In response, Northland NWT, by letter dated April 28, 2006 submitted a Refiling Application. The Board issued a decision on June 23, 2006.

Pursuant to Decision 10-98, Inuvik Gas Ltd. ("**IGL**"), by letter dated August 21, 2006, advised the Board that it intends to adjust the natural gas rates within the Town of Inuvik Franchise Area, effective October 22, 2006. By letter dated October 6, 2006, the Town of Inuvik filed a complaint letter to the Board, that the increase rates are not justified. The Board, by letter dated October 16, 2006, requested additional information from IGL on the issues raised by the Town's complaint letter. IGL responded by October 27, 2006. The Board, by letter dated November 1, 2006 to the Town, requested some clarification of the Town's expectations as to the outcome of the complaint proceeding. The Town responded by November 30, 2006. On December 8, 2006, the Board issued a letter to all interested parties to provide their comments on a conference, to be held January 2007, to further explore issues and to assist in scoping the issues to be included in the complaint and determining the appropriate procedure for making a decision on the complaint. IGL, by letter dated December 13, 2006, provide comments on a conference to be held in Inuvik. By letter dated December 19, 2006, the Town also agreed with IGL regarding a conference to be held in Inuvik. The conference is now scheduled for February 15, 2007.

The Board also dealt with other significant matters that are detailed in the decision summary.

During the year, Board members participated in the educational conference hosted by the Canadian Association of Members of Public Utilities Tribunals ("**CAMPUT**"). CAMPUT is the Board's primary resource for providing staff and Board members with training and education in areas of utility regulation.

A LOOK AHEAD

As of December 31, 2006, Mr. Joe Acorn became the new Chair of the Board. Mr. John Hill is now the Vice Chair of the Board.

NWTPC filed its General Rate Application ("**GRA**") for the test years 2006/07 and 2007/08, on November 24, 2006. The Board has established a hearing schedule to deal with the Application. As part of the GRA process, NWTPC requested approval on an interim rate application, effective January 1, 2007. The Board is expected to issue a decision at the beginning of January 2007.

The Board is expected to issue a decision with respect to the Town of Inuvik's complaint regarding IGL's rate increase, by the end of February 2007.

SUMMARY OF 2006 BOARD DECISIONS

DECISION 1-2006 **January 10, 2006**

Application:
By letter dated December 5, 2005, Northland Yk applied to the Board for approval to issued a long-term instrument in the amount of $1,843,000 by way of an unsecured debenture with an interest rate of 5.23%to ATCO Electric Ltd.

Order:
After reviewing the application, the Board approves the issuance of a debenture in the principal amount of $1,843,000 to ATCO Electric Ltd. and at an interest rate of 5.23%.

DECISION 2-2006 **January 11, 2006**

Application:
The City, by letter dated December 21, 2005, applied for a review and variance of Board Decision 16-2005.

Order:
Upon review of the new information submitted by the City, the Board has decided to vary Decision 16-2005 and to award the City's cost as requested in the amount of $104,902.82.

DECISION 3-2006 **January 17, 2006**

Application:
By letters dated August 15th and 16th, 2005 and November 15th, 2005, the City made applications to the Board for intervenor costs in the following amounts:

1. Yellowknife Distribution System 25kV Conversion Project Permit Application	$ 4,472.60
2. 2005/2006 General Rate Application	$13,024.75
3. 2005/2006 General Rate Application (Negotiated Settlement Portion)	$33,963.32
4. 2005/2006 General Rate Application (Refiling)	$ 1,461.39

Order:
The Board reviewed and approved the intervenor costs applications, as submitted.

DECISION 4-2006 **January 26, 2006**

Application:
By letter dated December 21, 2005, NWTPC submitted an application to the Board for approval of a diesel fuel rider applicable to the diesel communities.

Order:
The Board reviewed the schedules and responses to information requests provided by the NWTPC and approved the diesel fuel rider applicable to the diesel communities, effective February 1, 2006

NWTPC was directed to monitor the forecast of fuel prices and seek adjustments to rates on a timely basis if it appears the fuel cost recovery implicit in the approved rates may result in a materially different fund balance than is forecast in this application.

DECISION 5-2006 **March 10, 2006**

Application:
By letter dated February 7, 2006, the Counsel for the Town of Hay River, Mr. Thomas D. Marriott made an application to the Board for intervenor costs in the amount of $63,100.77.

Order:
The Board reviewed and approved the intervenor costs application, as submitted.

DECISION 6-2006 **March 10, 2006**

Application:
By letter dated February 10, 2006, the Counsel for the Hamlet of Fort Providence, Mr. Rangi G. Jeerakathil made an application to the Board for intervenor costs in the amount of $62,932.34.

Order:
The Board reviewed and approved the intervenor costs application, as submitted.

DECISION 7-2006 **March 24, 2006**

Application:
By fax dated February 23, 2006, the Hamlet of Fort Providence forward, an application from Mr. A.O. Ackroyd, to the Board for intervenor costs in the amount of $9,095.00.

Order:
The Board reviewed and approved the intervenor costs application, as submitted.

DECISION 8-2006 **March 29, 2006**

Application:
By letter dated March 10, 2006, NWTPC submitted an application to the Board for approval to replace the current Riders I and N, approved in Decision 6-2005, with new amounts applying the rider design from Decision 4-2006. These riders are applicable to the communities of Inuvik and Norman Wells.

Order:
The Board has reviewed the application, has analyzed the information provided by NWTPC, and was satisfied that the implementation of the riders requested is appropriate. The Board approved Rider I and N, effective April 1, 2006.

DECISION 9-2006 **March 31, 2006**

Application:
On July 4, 2005, Northland NWT submitted to the Board a Phase I General Rate Application for the 2005/2006 test period. Northland NWT requested that the Board determine Northland NWT's revenue requirement for each of the forecast Test Years.

By letter dated August 2, 2005, Northland NWT submitted to the Board an additional filing respecting Northland NWT's GRA including a Phase II filing, an amended Phase I filing and a request for 2005 interim rates.

In the additional filing of the application, Northland NWT requested that the Board approve rate schedules, approve the revised Terms and Conditions of Service and approve the proposed 2005 rates on an interim refundable basis

Order:
The Board, by letter dated July 6, 2005 and August 8, 2005, directed Northland NWT to publish notice of the public hearing of the GRA in newspapers that circulated in the NWT. The Town of Hay River, the Hamlet of Fort Providence

and NWTPC registered their interventions. The Community Government of Wekweeti also indicated an interest.

The Board issued Decision 13-2005, dated September 9, 2005 with respect to Northland NWT's proposed 2005 rates on an interim refundable basis. The Board directed Northland NWT to file proposed interim rates for each of the communities designed to recover 50% of the proposed 2005 revenue increases, if applied on an annualized basis, for each community and to file a Rider E for each of the communities for recovery of the deficiency resulting from implementation for the interim rates effective October 1, 2005 as opposed to the beginning of the Test Year.

By letter dated September 19, 2005, Northland NWT submitted responses to Decision 13-2005, by filing the interim rate schedule (Rider K) and Rider E. The Board issued Decision 14-2005, dated September 26, 2005 approving Rider K and Rider E, for each community, effective October 1, 2005.

The Board, the Town of Hay River and the Hamlet of Fort Providence submitted information requests, to which Northland NWT responded on October 14, 2005.

By letter dated October 20, 2005, Northland NWT advised the Board that based on discussions with interested parties, Northland NWT does not consider it likely that a comprehensive Negotiated Settlement could be reached regarding the GRA.

The Hamlet of Fort Providence filed intervenor evidence on October 31, 2005. The Board, Northland NWT and the Town of Hay River submitted information requests to the Hamlet of Fort Providence respecting its intervenor evidence, to which the Hamlet of Fort Providence responded on November 14, 2005.

By letter dated November 21, 2005, the Town of Hay River filed rebuttal evidence.

Public Notice of the hearing was advertised and schedules for November 29 and 30, 2005. The hearing was held in the Town of Hay River.

The Board, after reviewing the information provided and the testimony of witnesses, issued its decision and provided Northland NWT with a number of directives. Northland NWT was ordered to prepare and refile, within thirty days, its 2005/2006 GRA to comply with the directions contained in the decision.

DECISION 10-2006 **April 21, 2006**

Application:
By letter dated April 7, 2006 Northland Yk submitted and application to the Board requesting approval to set Rider A for each rate class to zero, effective May 1, 2006, since the Rider A refund/recovery period contemplated in Decision 15-2005 ends on April 30, 2006.

Order:
After reviewing the schedules and information provided by Northland Yk, the Board approved Rider A, effective May 1, 2006.

DECISION 11-2006 **May 18, 2006**

Application:
By letter dated February 28, 2006, NWTPC submitted an application to the Board for approval of a project permit, pursuant to Section 54 of the *Act*, for a major capital project in the community of Aklavik involving the preparation of a new plant site, purchase, transport and installation of pre-built genset modules and conversion of the community's distribution system to the 4160 volt standard from the current non-standard 2400 volt system,

NWTPC indicated it had reviewed several options for addressing the need for a new power plant in Aklavik and had extensive consultation with the community to understand its requirements and received feedback on potential options.

Order:
After giving consideration to the public need for the project and the reliability of the utility, the Board approved NWTPC's Application for a project permit to undertake the design and construction of a new Modular Genset Power Plant located in the industrial area, in the community of Aklavik, in accordance with the application.

In view of the significant budget cost overrun and the expected rate impacts, the Board directed NWTPC to address the prudence of the capital costs as well as any measures required to mitigate rate impacts at the next GRA.

DECISION 12-2006 **May 24, 2006**

Application:
By letter dated May 11, 2006 Northland Yk filed an application for an order approving a decrease in Rider C, applicable to the City of Yellowknife's customers.

Order:
The Board reviewed the schedules and information provided by Northland Yk and approved the rate rider, effective June 1, 2006.

DECISION 13-2006 **May 24, 2006**

Application:
NWTPC, by letter dated May 12, 2006, filed an application to adjust the Snare Cascades Rider from $0.005 kW.h to $0.0016 kW.h. NWTPC stated this adjustment is required in order to achieve the ten-year amortization period outlined in Decision 1-97.

Order:
The Board reviewed the annual reconciliation of the Snare Cascades Deferral Account and was satisfied that the proposed Rider meets the requirements of the 1995/1998 Negotiated Settlement. The Rider was approved as filed, effective June 1, 2006.

DECISION 14-2006 **June 20, 2006**

Application:
Northland Yk, by letter dated June 9, 2006, filed an application for an order approving a decrease to Rider B, applicable to the City's customers. Northland Yk stated that on May 25, 2006, NWTPC notified Northland YK that the Snare Cascades Rider was being revised, effective June 1, 2006. This change required Northland Yk to adjust Rider B.

Order:
The Board reviewed the schedules and information provided by Northland Yk and approved the rate riders as filed, effective July 1, 2006.

DECISION 15-2006 **June 23, 2006**

Application:
In response to Board Decision 9-2006, Northland NWT, by letter dated March 31, 2006, submitted a refiled application with respect to it's GRA for the 2005/2006 test years.

Order:
The Board reviewed the Phase I portion of the refiling application and considered Northland NWT's adjustments to the 2005 and 2006 revenue requirements are in accordance with the Board's directions in Decision 9-2006.

The Board reviewed the Phase II portion of the refiling application and considers the proposed changes to the rate schedules and terms and conditions of services are in accordance with the Board's directions in Decision 9-2006.

However, in the Board's view Northland NWT's proposal, for recovery of the 2005 and 2006 remaining revenue deficiencies over a period of 6 months, from July 1, 2006 to December 31, 2006, by way of Rider E, was a relatively short recovery period. This would result in significant rate impacts to customers in the communities of Dory Point/Kakisa, Wekweeti and Trout Lake. The Board approved recovery of the 2005 and 2006 remaining deficiencies for the communities of Dory Point/Kakisa, Wekweeti and Trout Lake, by way of Rider E over a period of 12 months.

The Board directed Northland NWT to provide a reconciliation of Rider E amounts to be recovered and recovered on an actual basis, for the communities of Dory Point/Kakisa, Wekweeti and Trout Lake, and file the reconciliation with the Board and all interested parties following the Rider E termination for these communities and to propose a mechanism for recovery or refund of any residual Rider E amounts.

The Board approved the Rate Schedules and the Terms and Conditions of Services, effective July 1, 2006.

DECISION 16-2006 **July 12, 2006**

Application:
By letter dated June 8, 2006, the Counsel for the Town of Hay River, Mr. Thomas D. Marriott made an application to the Board for intervenor costs in the amount of $2,760.22.

Order:
The Board reviewed and approved the intervenor costs application, as submitted.

DECISION 17-2006 **July 12, 2006**

Application:
By letter dated June 12, 2006, the Counsel for the Hamlet of Fort Providence, Mr. Rangi G. Jeerakathil made an application to the Board for intervenor costs in the amount of $2,621.50.

Order:
The Board reviewed and approved the intervenor costs application, as submitted.

DECISION 18-2006 **July 21, 2006**

Application:
By letter dated July 11, 2066, Northland Yk filed an application to decrease Rider C, applicable to the City of Yellowknife customers.

Order:
The Board reviewed the schedules and information provided by Northland Yk and approved the rate rider, effective August 1, 2006.

DECISION 19-2006 **August 4, 2006**

Application:
Northland Yk, by letter dated June 30, 2006, submitted a 2005 Deferral Account Application, Rider T, to the Board, as directed in Decision 15-2005.

Order:
The Board reviewed the schedules and the calculation of Rider T and approved the rate rider, effective September 1, 2006.

DECISION 20-2006 **September 25, 2006**

Application:
By letter dated September 13, 2006, Northland NWT filed an application to adjust the existing Rider A for the communities of Fort Providence, Dory Point/Kakisa, Wekweeti and Trout Lake.

Order:
The Board reviewed the schedules and information provided by Northland NWT and approved the rate rider, effective October 1, 2006.

DECISION 21-2006 **September 25, 2006**

Application:
By letter dated September 13, 2006, Northland NWT filed an application to decrease the existing Rider F, applicable to the Hay River rate zone.

Order:
The Board reviewed the schedules and information provided by Northland NWT and approved the rate rider, effective October 1, 2006.

DECISION 22-2006 **October 23, 2006**

Application:
By letter dated October 11, 2006, Northland Yk filed an application for an order approving the setting of Rider G to zero, applicable to the City of Yellowknife customers.

Order:
The Board notes from Decision 12-2005 that the Appliance Rebate Program ("**ARP**") was contemplated as a one-time pilot demand side management initiative. Accordingly, the Board accepts Northland Yk's proposal to terminate collection of program costs through the rates, at this time, subject to any final adjustments. The Board considers success or failure of the ARP can only be assessed following the filing of the necessary information by Northland Yk in early 2007. In the Board's view, the success or failure of this pilot program could potentially determine the appropriateness of any future demand side management programs designed along similar lines. In order to hear the views of all participants, the Board expects Northland Yk to distribute copies of its assessment of the success or failure of this program to all interested parties in the last GRA, at the time the information is filed.

The Board reviewed the schedules and information provided by Northland Yk and approved the rate rider, effective November 1, 2006.

DECISION 23-2006 **October 23, 2006**

Application:
Northland NWT applied for approval of the proposed Franchise Agreement for the supply and distribution of electrical power to users within the Town of Hay River.

Order:
The Board approved the Electric Franchise Agreement.

DECISION 24-2006 **December 8, 2006**

Application:
By letter dated November 20, 2006, Northland NWT applied to the Board for approval to issued a long-term instrument in the amount of $400,000, by way of an unsecured debenture with an interest rate of 5.07% to ATCO Electric Ltd.

Order:
After reviewing the application, the Board approved the issuance of the Debenture in the principal amount of $400,000 to ATCO Electric Ltd. at an interest rate of 5.07%.

DECISION 25-2006 **December 8, 2006**

Application:
By letter dated November 20, 2006, Northland Yk applied to the Board for approval to issued a long-term instrument in the amount of $3,000,000, by way of an unsecured debenture with an interest rate of 5.07% to ATCO Electric Ltd.

Order:
After reviewing the application, the Board approved the issuance of the Debenture in the principal amount of $3,000,000 to ATCO Electric Ltd. at an interest rate of 5.07%.

DECISION 26-2006 **December 8, 2006**

Application:
By letter dated November 20, 2006, Northland Yk applied to the Board for approval of the issue of Class A non-voting and Class B common shares in the capital of the Corporation to its sole shareholder, Northland Utilities Enterprises Ltd. for aggregate consideration of $1,100,000.

Order:
After reviewing the application, the Board approved the issues of shares in the capital of the Corporation to its sole shareholder, Northland Utilities Enterprises Ltd. for aggregate consideration of $1,100,000.

DECISION 27-2006 **December 22, 2006**

Application:
By letter dated December 8, 2006, Northland NWT filed an application to adjust the existing Rider A for the communities of Fort Providence, Dory Point/Kakisa, Wekweeti and Trout Lake.

Order:
The Board reviewed the schedules and information provided by Northland NWT and approved the rate rider, effective January 1, 2007.

DECISION 28-2006 **December 22, 2006**

Application:
Northland Yk, by letter dated December 6, 2006, filed an application for an order approving a increase to Rider B, applicable to the City's customers. Northland Yk stated that it is forecasting that the over-collection from customers will be $1,802 by December 31, 2006. This change required Northland Yk to adjust Rider B of $0.00102/kW.h to $0.0169/kW.h.

Order:
The Board reviewed the schedules and information provided by Northland Yk and approved the rate riders as filed, effective January 1, 2007.